Ares Global Credit Income Fund

ARSN 639 123 112 APIR HOW4476AU

October 2022 - Monthly Fact Sheet

Performance	1 Month %	3 Month %	FYTD %	1-Year %	2-Year % p.a.	5-Year % p.a.	Inception % p.a.
Fund return (gross)[1]	0.5	-1.2	0.6	-4.1	1.3	-	4.0
Fund return (net)[2]	0.5	-1.6	0.2	-4.9	0.5	-	3.3
Bloomberg AusBond Bank Bill Index	0.2	0.5	0.7	0.8	0.4	-	0.3
Active return	**0.2**	**-2.1**	**-0.5**	**-5.7**	**0.2**	**-**	**2.9**

[1] Returns are calculated before fees have been deducted and assume distributions have been reinvested. No allowance is made for tax when calculating these figures.
[2] Returns are calculated after fees have been deducted and assume distributions have been reinvested. No allowance is made for tax when calculating these figures.
Past performance is not a reliable indicator of future performance. **Past performance figures that are less than 12 months are for informational purposes only and are not to be relied upon when considering the likely future performance of the Fund. Data Source: Fidante Partners Limited, 31 October 2022.**

Fund Facts	
Portfolio managers	Charles Arduini, Seth Brufsky, Samantha Milner, Boris Okuliar
Inception date	1 May 2020
Management fee	0.75% p.a.
Fund Objective	To outperform the AusBond Bank Bill Index over a three-year period
Buy/sell spread[3]	+0.40% / -0.40%
Strategy FUM	$61.1 M
Distribution Frequency	Monthly

Fund Features

Attractive income: The Fund aims to provide a stable income stream for investors by seeking to offer monthly distributions.

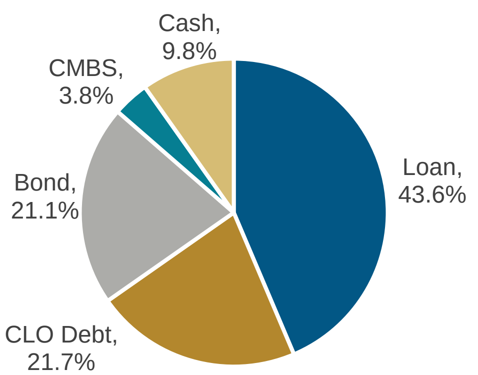
Focus on downside protection:[4] Ares believes protecting principal is key to superior performance and therefore places emphasis on dampening volatility and minimising defaults.

Dynamic asset allocation: The Fund has the ability to dynamically allocate capital based on the best relative value opportunities across industries, issuers and regions within the credit spectrum.

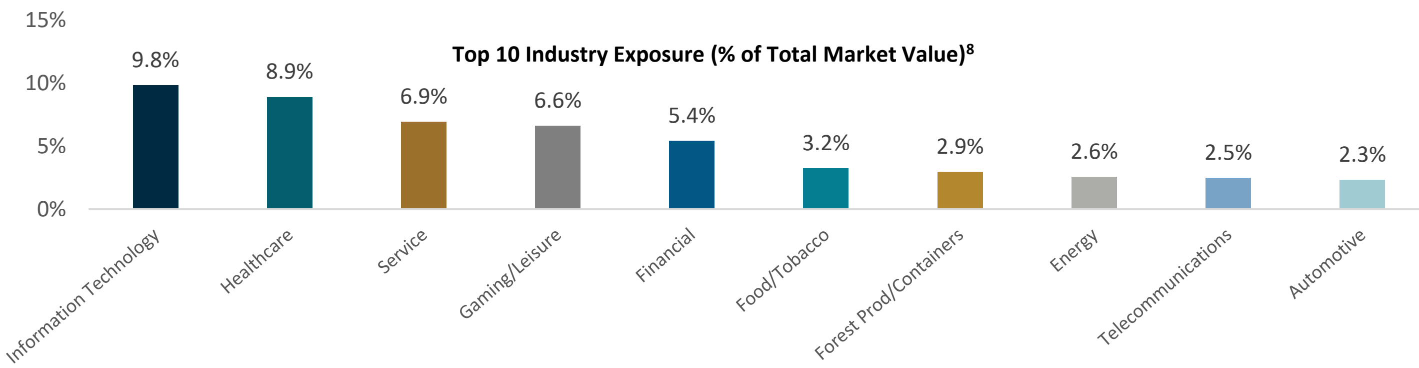
Diversification:[5] The Fund provides access to investment opportunities and asset classes which are generally unavailable to individual investors.

Leading global investment team: The Fund offers access to a leading global investment team with 20+ years of experience investing in global credit markets. The experienced management team applies an integrated and collaborative approach using the scale and power of the platform seeking to deliver compelling risk-adjusted returns through market cycles.

Asset Class Allocation[6]



Key Attributes	Fund	Change from 30 Sep 2022
Number of issuers	242	-12
Weighted Average Spread (L+)	318	-3
Current Yield (Fx Adjusted to AUD)	5.71%	+0.08%
Yield to Worst (Fx Adjusted to AUD)	7.57%	-0.53%
Weighted Average Credit Quality[7]	BB+	+1
Total Investment Grade Exposure	62.40%	+4.29%



[3] Source: Ares. During normal market conditions, bid/ask spreads have averaged 25 -100bps, however, during periods of volatility, we have observed spreads widen out to 300-400bps.
[4] References to "downside protection" or similar language are not guarantees against loss of investment capital or value.
[5] Diversification does not assure profit or protect against market loss.
[6] The Fund's allocation is based on recent market conditions and is subject to change based on future market conditions at the time of investment and may differ materially from that set forth herein.
[7] Reflects the risk-adjusted weighted average higher of rating using Moody's, S&P, and Fitch.
[8] Credit Suisse Industry Distribution. Excludes collateralised loan obligations, CMBS and cash (21.7%, 3.8% and 9.8% as of 31 October 2022, respectively).

Market Commentary

Volatility continued to permeate markets in October amid persistent inflation, the European energy crisis, and concerns around slowing global growth.

U.S. high yield bonds returned 2.85%[1] during the month as the asset class rallied on the back of better-than-feared quarterly corporate earnings. Retail flows resurfaced during the month amid a significant decline in yields with U.S. high yield funds reporting inflows of $3.1 billion. Meanwhile, primary market activity remained slow, with only eight bonds pricing for a total of $5.1 billion over the course of the month.[2]

U.S. loans underperformed fixed rate peers, returning 0.85%[3] in October. The asset class endured significant dispersion among rating cohorts and sectors while retail outflows moderated. Specifically, loan funds reported outflows of $3.8 billion in October, following $4.8 billion of outflows in September. Meanwhile, primary market activity slowed amid rising recession fears with $6.5 billion of loan paper pricing over the course of the month.[2]

Collateralized Loan Obligation ("CLO") securities posted positive returns in October with ratings tranches generating mixed results.[4] U.S. CLO origination slowed during the month amid wider liability costs, recovering loan prices and limited loan supply. Further, the CLO refinancing and reset market remained muted during the month. Conversely, European CLO issuance picked up in October with six deals pricing for a total of $1.9 billion.[5]

U.S. investment grade bonds underperformed below investment grade assets, returning -1.30%[6] in October as a pickup in supply, rate volatility and continued retail outflows weighed on performance.

In Europe, high yield bonds and leveraged loans returned 1.74%[7] and 0.65%[8], respectively. Spreads widened during the first half of the month due to concerns surrounding ongoing recession risk, geopolitical uncertainties, and the gas crisis in Europe. However, European leveraged credit markets rebounded towards month-end amid declining European natural gas prices and remarks from the European Central Bank suggesting a slower pace of tightening.

Market Outlook

Risk assets produced mixed performance in early November as markets reacted to Federal Reserve Chair Powell's comments suggesting U.S. interest rates will go higher than previously projected, but the path may soon involve smaller hikes. U.S. markets are now pricing in 50 bps hikes at each of the December and February Federal Open Market Committee meetings with expectations for rates to peak slightly above 5% in 2023. Meanwhile, the Bank of England raised interest rates by 75 bps in November, its largest single hike since 1989. A better-than-expected October CPI report shows central banks' aggressive monetary tightening programs are beginning to cool some parts of the economy; however, labor markets have continued to tighten in the U.S. and wage inflation has moved materially higher.

That said, economists are expecting a continued downshift in core inflation over the near-to-medium term led by softer prices of goods, but believe prices of services are likely to remain stickier. With Q3'2022 earnings well underway, Earnings Per Share ("EPS") growth and revenue trends are ahead of consensus with energy, industrials and discretionary sectors reporting strong growth; however, a greater percentage of companies are reducing guidance. While a recession is increasingly likely and there is significant uncertainty about the future of the economy and global growth, we continue to view the current environment to be an attractive entry point and long-term buying opportunity. Even if a recession is deeper and more protracted than we expect, we take comfort in the healthier corporate and consumer balance sheets relative to prior recessions. We are keeping close watch on the developments in Ukraine and China and the resulting economic impacts, central bank policies, the energy crisis in Europe, as well as any idiosyncratic events that may arise in this unpredictable environment.

Fund Commentary

The Ares Global Credit Income Fund ("AGCIF" or the "Fund") returned 0.52% gross and 0.47% net for the month of October. From an asset class perspective, performance was driven by the portfolio's allocations to bank loans and high yield bonds, as the asset classes were buoyed by renewed optimism for a potential central bank policy pivot. While the portfolio's allocation to CLOs detracted from performance, we maintain conviction in the Fund's CLO securities given the underlying loan portfolios are high quality and fundamentally stable.

While we have been de-risking the portfolio over the last few months, we continue to do so but to a lesser degree and remain focused on identifying opportunities arising from today's complex economic environment. In terms of positioning, we remain overweight floating rate assets and are more focused on credit risk versus interest rate risk. Within corporate credit, we are overweight defensive sectors with favourable supply-demand dynamics and earnings trajectories, such as technology, with a few cyclical plays (building products), as well as sectors more upstream in supply chains and companies with strong pricing power, including software and necessary services sectors. We are underweight global cyclical sectors lacking clear bottom-up demand drivers, such as retail and pharmaceuticals. Overall, we expect choppy market conditions to continue and therefore are positioned defensively, focusing on higher quality Double-B and Triple-B rated investments. Specific to structured credit, we continue to favour transactions with high quality underlying portfolios arranged by top tier managers and are patiently looking for more opportunities to add. From a geographical perspective, we have decreased our exposure to Europe due to increased tail risk amid geopolitical tension and the worsening energy crisis in the region. Overall, we continue to view the current environment to be an attractive entry point and long-term buying opportunity given the relatively healthy fundamental backdrop alongside attractive forward return potential.

As of 31 October 2022. Sources: (1) ICE BofA US High Yield Index "H0A0", (2) JPM, (3) Credit Suisse Leveraged Loan Index "CSLLI", (4) CLOIE, (5) LCD News. (6) Bloomberg Barclays U.S. Aggregate Bond Index, (7) ICE BofA European Currency High Yield Constrained Index Hedged to EUR, (8) Credit Suisse Western European Leveraged Loan Index Hedged to EUR.

Views expressed are those of the Ares Global Credit Income Fund Portfolio Managers as of 31 October 2022 are subject to change at any time, and may differ from the views of other portfolio managers or of Ares Australia Management as a whole.
The outbreak of a novel and highly contagious form of coronavirus ("COVID-19"), which the World Health Organization has declared to constitute a pandemic, has resulted in numerous deaths, adversely impacted global commercial activity and contributed to significant volatility in certain equity and debt markets. The global impact of the outbreak is rapidly evolving, and many countries have reacted by instituting quarantines, prohibitions on travel and the closure of offices, businesses, schools, retail stores and other public venues. Businesses are also implementing similar precautionary measures. Such measures, as well as the general uncertainty surrounding the dangers and impact of COVID-19, are creating significant disruption in supply chains and economic activity and are having a particularly adverse impact on energy, transportation, hospitality, tourism, entertainment and other industries. The impact of COVID-19 has led to significant volatility and declines in the global financial markets and oil prices and it is uncertain how long this volatility will continue. As COVID-19 continues to spread, the potential impacts, including a global, regional or other economic recession, are increasingly uncertain and difficult to assess. Any public health emergency, including any outbreak of COVID-19 or other existing or new epidemic diseases, or the threat thereof, and the resulting financial and economic market uncertainty could have a significant adverse impact on the Fund, the value of its investments and its portfolio companies. The performance investment information herein is as of 31 October 2022 and not all of the effects, directly or indirectly, resulting from COVID-19 and/or the current market environment may be reflected herein. The full impact of COVID-19 and its ultimate potential effects on portfolio company performance and valuations is particularly uncertain and difficult to predict.
Index Definition & Disclosure:
The Bloomberg AusBond Bank Bill Index is engineered to measure the Australian money market by representing a passively managed short term money market portfolio. This index is comprised of 13 synthetic instruments defined by rates interpolated from the RBA 24-hour cash rate, 1M BBSW, and 3M BBSW.
Indices are provided for illustrative purposes only and not indicative of any investment. They have not been selected to represent appropriate benchmarks or targets for the strategy. Rather, the indices shown are provided solely to illustrate the performance of well known and widely recognized indices. Any comparisons herein of the investment performance of a strategy to an index are qualified as follows: (i) the volatility of such index will likely be materially different from that of the strategy; (ii) such index will, in many cases, employ different investment guidelines and criteria than the strategy and, therefore, holdings in such strategy will differ significantly from holdings of the securities that comprise such index and such strategy may invest in different asset classes altogether from the illustrative index, which may materially impact the performance of the strategy relative to the index; and (iii) the performance of such index is disclosed solely to allow for comparison on the referenced strategy's performance to that of a well known index. Comparisons to indices have limitations because indices have risk profiles, volatility, asset composition and other material characteristics that will differ from the strategy. The indices do not reflect the deduction of fees or expenses. You cannot invest directly in an index. No representation is being made as to the risk profile of any benchmark or index relative to the risk profile of the strategy presented herein. There can be no assurance that the future performance of any specific investment, investment strategy, or product will be profitable, equal any corresponding indicated historical performance, or be suitable for a portfolio.
REF: AAM-00331

For further information, please contact:

Fidante Partners Investor Services | **p:** 13 51 53 | **e:** info@fidante.com.au | **w:** www.fidante.com

---

This material has been prepared by Ares Australia Management Pty Ltd ABN 51 636 490 732, AFSL 537 666 (AAM), the investment manager of the Ares Global Credit Income Fund (ARSN 639 123 112) (the Fund) and is current as at the date of publication. Fidante Partners Limited ABN 94 002 835 592 AFSL 234668 (Fidante) is a member of the Challenger Limited group of companies (Challenger Group) and is the issuer and responsible entity of the Fund. Other than information which is sourced from Fidante in relation to the Fund, Fidante is not responsible for the information in this publication, including any statements of opinion. It is general information only and is not intended to provide you with financial advice or take into account your objectives, financial situation or needs. You should consider, with a financial adviser, whether the information is suitable to your circumstances. The Fund's Target Market Determination and Product Disclosure Statement (PDS) available at www.fidante.com should be considered before making a decision about whether to buy or hold units in the Fund(s). To the extent permitted by law, no liability is accepted for any loss or damage as a result of any reliance on this information. Past performance is not indicative of future performance. Any projections are based on assumptions which we believe are reasonable but are subject to change and should not be relied upon. Fidante has entered into arrangements with Ares and AAM in connection with the distribution and administration of financial products managed by Ares or AAM. In connection with those arrangements, Fidante or AAM may receive remuneration or other benefits. Fidante is not an authorised deposit-taking institution (ADI) for the purpose of the Banking Act 1959 (Cth), and its obligations do not represent deposits or liabilities of an ADI in the Challenger Group (Challenger ADI) and no Challenger ADI provides a guarantee or otherwise provides assurance in respect of the obligations of Fidante. Investments in the Fund are subject to investment risk, including possible delays in repayment and loss of income or principal invested. The performance, the repayment of capital or any particular rate of return on your investments are not guaranteed by any member of the Challenger Group nor AAM or its related bodies corporate..

The Zenith Investment Partners (ABN 27 103 132 672, AFS Licence 226872) ("Zenith") rating (assigned December 2020) referred to in this document is limited to "General Advice" (s766B Corporations Act 2001) for Wholesale clients only. This advice has been prepared without taking into account the objectives, financial situation or needs of any individual and is subject to change at any time without prior notice. It is not a specific recommendation to purchase, sell or hold the relevant product(s). Investors should seek independent financial advice before making an investment decision and should consider the appropriateness of this advice in light of their own objectives, financial situation and needs. Investors should obtain a copy of, and consider the PDS or offer document before making any decision and refer to the full Zenith Product Assessment available on the Zenith website. Past performance is not an indication of future performance. Zenith usually charges the product issuer, fund manager or related party to conduct Product Assessments. Full details regarding Zenith's methodology, ratings definitions and regulatory compliance are available on our Product Assessments and at http://www.zenithpartners.com.au/RegulatoryGuidelines.

The rating issued 12/2021 is published by Lonsec Research Pty Ltd ABN 11 151 658 561 AFSL 421 445 (Lonsec). Ratings are general advice only, and have been prepared without taking account of your objectives, financial situation or needs. Consider your personal circumstances, read the product disclosure statement and seek independent financial advice before investing. The rating is not a recommendation to purchase, sell or hold any product. Past performance information is not indicative of future performance. Ratings are subject to change without notice and Lonsec assumes no obligation to update. Lonsec uses objective criteria and receives a fee from the Fund Manager. Visit lonsec.com.au for ratings information and to access the full report.